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C O N F I D E N T I A L SECTION 01 OF 03 BANGKOK 000113

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TAGS: [ENRG](#) [PGOV](#) [PREL](#) [TH](#)  
SUBJECT: THAI MFA DISCUSSES THAI INVOLVEMENT WITH BURMESE  
DAMS, MALAYSIAN FM'S PENDING VISIT TO RANGOON

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Classified By: Charge d'Affaires Alexander A. Arvizu for  
reasons 1.4 (b)

11. (C) SUMMARY: On January 4, Poloff and Econoff met with Mr. Damrong Kriakruan, the Burma desk officer at the Thai MFA. Damrong confirmed press and NGO reports that the state-owned power company EGAT Plc has signed a memorandum of agreement (MOA) with Burma,s Ministry of Electric Power on December 9, 2005 to conduct a joint two-year feasibility study with respect to construction of a dam on the Salween (Thanlwin) River at Hat Gyi inside Burma,s Karen State. Consistent with EGAT,s strategy of securing access to low-cost electric power from neighboring nations, the project is envisioned as one of five hydroelectric power projects involving Burma. The MFA expressed its awareness of the sensitivity of projects involving Burma and asserted that the MOA involves completion of the above feasibility study only. EGAT apparently has yet to obtain long-term financing for actual construction. Thus, the reason for conducting the study now is to allow Thailand to keep its energy supply options open. The Embassy expects both EGAT and Thailand,s energy bureaucrats to pursue the development of electric power generating capacity in cooperation with Burma because they expect any potential outcry to be less bothersome than the opposition certain to arise in response to large-scale power generating projects within Thailand. Poloff commended ASEAN on their decision to send the Malaysian FM to visit Rangoon to check up on Burma,s progress with "democratic reform", and also for making a request to meet with ASSK. Damrong noted that Burma had not responded to official Malaysian requests to set dates for the visit, and suggested that Burma,s response to Malaysia vis--vis a proposed meeting with ASSK might be seen as a gauge of how willing Burma is to cooperate with ASEAN. END SUMMARY

12. (C) DECEMBER 2005 MOA: Poloff and Econoff met with Mr. Damrong Kriakruan, the Burma desk officer at the MFA, who confirmed press and NGO reports that Thailand,s state-owned power company EGAT Plc signed a memorandum of agreement (MOA) with Burma,s Ministry of Electric Power on December 9, 2005 to conduct a joint two-year feasibility study with respect to construction of a dam on the Salween River (also known as the Thanlwin River) at Hat Gyi inside Burma,s Karen State. Emboffs informed Damrong that Washington was following the reports of the Thai negotiations with the GOB closely and that the USG viewed any new engagement with Burma unfavorably. The Embassy called for the meeting in late December after Ministry of Energy (MOE) and energy industry contacts confirmed the main facts. Although EGAT,s chief executive Kraisri Karnasuta reportedly announced EGAT,s intention to sign the agreement in advance of the event, EGAT has not publicly disclosed the agreement and was unresponsive to Embassy inquiries regarding the matter.

¶3. (SBU) Estimates vary, but the vast majority of electric power produced by any dam built in partnership with Burma would be purchased by EGAT, pursuant to an umbrella agreement signed in May 2005. The arrangement envisioned is a concession agreement with a term of 30 years, with the option to renew for an additional 5 years. Construction would take about seven years and the dam would become operational in ¶2015.

¶4. (U) POWER HUNGRY: Thailand,s consideration of a Burmese partnership to develop new sources of electric power is entirely consistent with current and previous energy policy. A basic feature of that policy is the quest for greater supply of low-cost electric power from multiple sources. After the Royal Thai Government rejected the nuclear option in 1994, EGAT and government officials dealing with energy issues took up consideration of new hydroelectric power projects, both within Thailand and in cooperation with neighboring countries.

¶5. (U) COST IS A CONCERN: Electric power from Burma and Laos is particularly attractive because of its low production cost in comparison to other alternatives. While EGAT enjoys a reputation for producing quality electric power, the high cost of electricity in Thailand has been the subject of significant public protest, especially by the poor, consumer groups, and other NGOs, in the present environment of high oil and gas prices. Note: Hydrocarbons fuel a significant portion of Thailand,s electricity production; Chevron alone supplies the fuel for generation of about 30 percent of the electricity generated in Thailand from the natural gas deposits located offshore in the Gulf of Thailand. End note.

¶6. (C) PLANS FOR BURMESE PARTNERSHIP: According to Damrong, the proposed dam at Hat Gyi is one of five dams envisioned by EGAT in Burma. The other four include one dam on the North Salween River, two dams on the Salween River

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along the Thai-Burma border across from Mae Hon Son, and one dam at Tennaserim. Both NGOs such as Salween Watch and Embassy contacts in the RTG Ministry of Energy (MOE) confirm that the Hat Gyi is potentially the first of several hydroelectric power projects proposed along the Salween River. The MFA denied NGO and press reports that private Chinese investors were financing the projects.

¶7. (C) WHY HAT GYI?: According to the MFA, EGAT agreed to the feasibility study for the site at Hat Gyi at the invitation of the Government of Burma (as opposed to other potential locations) for several reasons. The dam would be smaller than others, so its impact would be less. Although there is some difference in estimates among the sources we consulted (600 megawatt capacity according to the MFA; 720 megawatts according to an MOE official; 1,200 megawatts according to a sources at one of EGAT,s contractors), the scale at Hat Gyi is indeed smaller than the 2,000 to 7,000 megawatt range discussed for other potential projects. Additionally, because the Hat Gyi is inside Burma, there are no boundary issues to consider and Thai laws requiring environmental impact studies do not apply.

¶8. (C) KEEPING THAILAND,S OPTIONS OPEN: The MFA emphasized that the MOA entailed only performing a feasibility study to consider the full range of relevant issues such as technological questions, financing, as well as environmental and social impact. EGAT reportedly wishes to confirm that the site and project would be a cost effective way to diversify its energy sources. Damrong emphasized that the RTG is aware of the sensitivity of projects in Burma, both within Thailand and abroad, and for this reason the RTG is proceeding carefully. While EGAT has taken the lead on the matter, it is coordinating with the RTG, especially the Ministry of Energy. The Burma desk officer specifically noted that there was no Cabinet decision on the matter. He explained that, before the project could go forward to the

construction phase, it would be necessary for EGAT to obtain financing. At that point, the RTG would consider the matter in its totality, including the potential risks. He added that consideration of financing will necessarily involve politics. In short: &In two years the political situation (in Burma) could relax, but if it stagnates we can always reconsider. The MOA keeps our options open.8

¶9. (C) COMMENT: We think that EGAT,s signing of the MOA with the Burmese flows from a concerted effort to secure low-cost electric power from neighboring countries, including Burma. Although the MFA appears to be well-briefed on the issue, EGAT and the Ministry of Energy are the entities driving RTG policy. While these players are clearly aware of the objections that foreign governments and NGOs have regarding engagement with Burma, we understand that they view such opposition as less problematic to deal with than the opposition certain to arise in response to plans for construction of dams, hydrocarbon-fired power plants, or especially nuclear plants in Thailand. We agree that the December 2005 MOA keeps Thailand,s energy options open. From Thailand,s perspective, it has the added advantage of doing so without requiring the commitment of financial resources to a Burmese partnership in the current international political environment. END COMMENT

¶10. (C) ASEAN INITIATIVE: Poloff noted ASEAN,s announcement that Malaysian FM Syed Hamid Albar will make an official visit to Burma to check up on the progress of democratic reform in Burma as a positive development. It was especially encouraging that the FM had made an official request to meet with Aung San Suu Kyi (ASSK). Damrong replied that the FM,s request was in line with ASEAN countries, concern about the continued detention of ASSK. When asked if the FM would proceed with the visit if the GOB denied him permission to meet with her, Damrong refused to speculate but said that Malaysia would surely be compelled to discuss the refusal with the other ASEAN member countries before making a decision. Damrong added that Burma,s response to this request could potentially signal just how interested Burma was in cooperating with the other members of ASEAN. Damrong added that the Burmese Government itself had suggested that the visit take place in January, but that Malaysia had so far received no response from GOB regarding their suggested dates for the visit.

¶11. (C) Damrong asked if the USG would continue to push for Burma to be discussed at the UNSC, even though the action appeared to have no effect on GOB. Poloff told Damrong that the USG was pleased that UNSC members had been able to reach consensus to request a briefing from the Office of the Secretary-General, and noted that countries representing all

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five UN "regions" had been prepared to vote in favor of the request, if it had come to a vote. The US views the situation

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in Burma not only as a humanitarian crisis but also as a serious threat to regional stability and security. By bringing the issue to the UNSC, there was added pressure on GOB to begin behaving like a more responsible member of the international community. Damrong noted that GOB had been the subject of international criticism for many years, and that this had not changed its behavior. Poloff replied that condemnation had traditionally come mostly from the Western countries, but that there was now a growing chorus of voices from governments in Africa, Asia and Latin America who were openly expressing their displeasure with the actions of the GOB.

¶12. (C) Regarding a future "retreat" between Than Shwe and Thai PM Thaksin Shinawatra, Damrong said that such a meeting was originally mooted for late 2005, but would probably not take place until at least February or March. At least part of the delay was prompted by Burma,s unexpected

decision to move their capital to the middle of the jungle. Any future meeting would have to be held in Burma due to Than Shwe,s "health concerns" which made it difficult for him to travel abroad, and also because of the unspoken GOB position that Than Shwe,s position as Burmese Head of State out-ranked Prime Minister Thaksin's position as Thailand,s Head of Government.

¶13. (C) COMMENT. We see more and more signs of increasing frustration here with Burma,s intransigence, at least within the MFA. If the SPDC refuses to allow FM Syed Hamid to meet with ASSK, it will underscore in an embarrassing fashion just how little cooperation ASEAN is getting in exchange for its "constructive engagement." Still, Damrong also carefully highlighted the Thai position that no matter how much the US, Thailand and/or the international community ratchet up the pressure on the junta, the government in Rangoon never seems to budge. Thailand,s position so far seems to be "Why bother?" But with ASEAN increasingly embarrassed by Burma's actions and frustrated that ASEAN is "losing face", and in light of the aloof manner in which the GOB is treating Malaysia,s requests to set dates, it is possible that rising tensions between Rangoon and the other ASEAN capitals could lead to some reconsideration in Thailand,s policy. END  
COMMENT  
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